

Surplus Cash Note U.S. Department of Housing
and Urban Development
Office of Housing

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Project Name: _____
HUD No: _____ (the
"Project")

FOR VALUE RECEIVED, _____
("Maker") promises to pay to _____
("Payee") the sum of _____
Dollars (\$ _____), payable at _____
with interest on any remaining balance of principal at _____ per cent
(_____ %) per annum payable annually, commencing _____,
20____, and thereafter on the first day of _____ until the entire
indebtedness has been paid. Any interest not so paid shall not create any default in the
terms of this note but shall accrue and be payable in full on the maturity date hereof. In
any event, the balance of principal, if any remaining unpaid, plus accrued interest, shall
be due and payable on _____, 20____ ("Maturity Date"). [Note: The
Maturity Date must be on or after the maturity date of the HUD insured mortgage.]

This Promissory Note ("Note") is made on and is subject to the following terms
and conditions:

1. In the event that the maturity date of that certain mortgage (the "HUD Mortgage")
dated _____ in the principal amount of \$ _____
made by Maker to _____
("HUD Lender," which term shall be deemed to have the meaning for "Lender" set
forth in the HUD regulatory agreement for this Project) in connection with the
HUD Project referenced above is extended and such extension is approved by
the Secretary of Housing and Urban Development ("Secretary" or "HUD") then in
such event the Maturity Date of this Note shall automatically be extended to the
extended maturity date of the HUD Mortgage without the consent of Payee.
2. So long as the Secretary or his/her successors or assigns, are the insurers or
holders of the first mortgage on the HUD Project, payments due under this Note
shall be payable only from surplus cash of said project, as the term surplus cash
is defined in the Regulatory Agreement dated _____, 20____
between HUD and Maker. The restriction on payment imposed by this paragraph
shall not excuse any default caused by the failure of the maker to pay the
indebtedness evidenced by the Note.

3. In the event that the indebtedness secured by the HUD Mortgage is paid in full and the HUD Mortgage released of record, then the holder of this Note may, at its option, declare the whole principal sum or any balance thereof, together with interest thereon, immediately due and payable.
4. Maker may pay any part or all of the principal of this Note on any interest payment date. Provided, however, no such prepayment of principal in any amount or any payment of interest shall be made except from Surplus Cash in accordance with the conditions prescribed, in the Regulatory Agreement.
5. Notwithstanding the provisions of paragraphs numbered 2 and 4.above, the maker may also make payments due hereunder from sources other than project income or assets of the project.
6. Any unauthorized payments, as determined by HUD, shall be returned to the Project as that term "Project" is defined in the Regulatory Agreement.
7. No prepayment shall be made until after final FHA insurance endorsement of the note secured by the HUD Mortgage.
8. This Note is non-negotiable and may not be sold, transferred, assigned or pledged by payee except with the prior written approval of HUD.
9. Interest on this Note shall not and must not be compounded.
10. The Maker hereby waives presentment, demand, protest and notice of demand, protest and nonpayment of this Note.
11. The terms and provisions of this Note are also for the benefit of and are enforceable by HUD against either party or any other person.

IN WITNESS WHEREOF, the Maker has signed this Note on this _____ day of _____, 20 ____.

MAKER: _____

By: _____

Name:

Title: